Weekly Economic Review

Inflation climbs

CPI Inflation

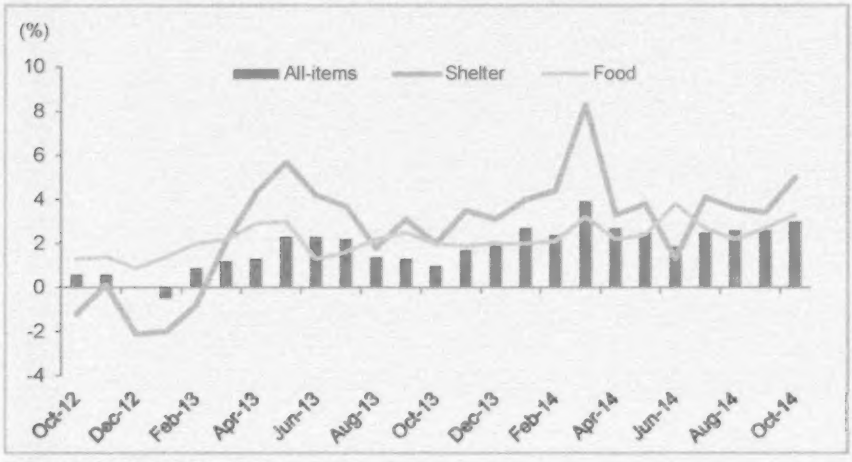
Inflation moves higher

After hovering around 2.5% for several months, year-over-year consumer price inflation rose to 3.0% in October. Inflation was pushed higher by shelter costs, especially by surging natural gas prices and higher home insurance costs. Food prices also increased by 3.3% (Chart 1), bolstered by continued increases in meat prices. Year-to-date, CPI inflation has averaged 2.7% in the province.

Nationally, headline inflation rose to 2.4% and core inflation (excluding the 8 most volatile CPI components) rose to 2.3%. The unexpected pick up caused the Canadian dollar to rise half a cent against the US dollar on expectations that the Bank of Canada may have to raise interest rates ahead of schedule to head off inflation.

Chart 1: Shelter and food costs on the rise in Alberta

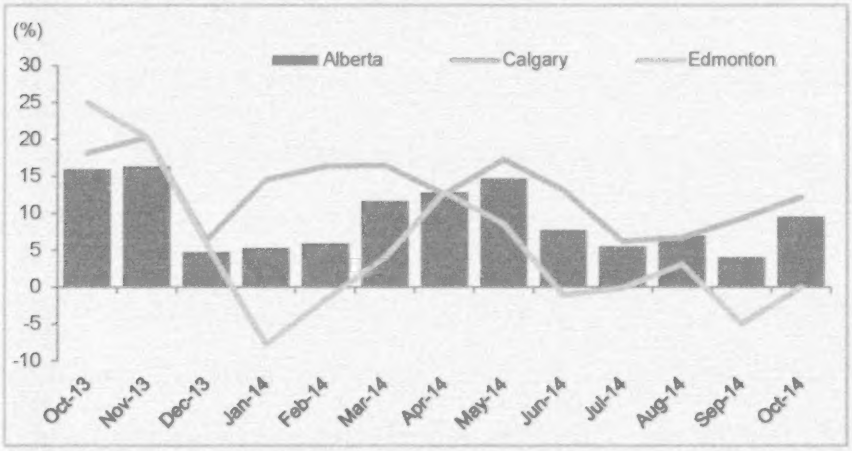
Year-over-year CPI Inflation



Source: Statistics Canada

Chart 2: Resale sales in Calgary continue to shine

Year-over-year change in unit resale sales



Source: Canadian Real Estate Association

Resale Housing

Sales pick up

After a slight easing in September, Alberta's resale housing market picked up in October with strong year-over-year growth in sales (+9.6%), new listings (+13.9%), and average price (+6.4%). Of Alberta's two biggest cities, Calgary continues to have the hottest housing market, with four houses sold in Calgary for every three in Edmonton. This gap widened in October, with sales up 12.2% y/y in Calgary and flat in Edmonton (Chart 2). Overall Alberta's resale market remains tight with a sales-to-new listings ratio of 0.67.

Canada's resale housing market also picked up in October posting year-over-year gains in sales (+7.6%), new listings (+5.2%), and average price (+6.8%). Canada's market remains balanced with a sales-to-new listings ratio of 0.56.

Job Vacancies

High but stable

In Alberta, the number of job vacancies was 50,900 in the three months ending in August, a decrease of 4.0% from the year prior. This puts the job vacancy rate, or the proportion of positions that were unfilled, at 2.5%, the highest among provinces (Chart 3). The job

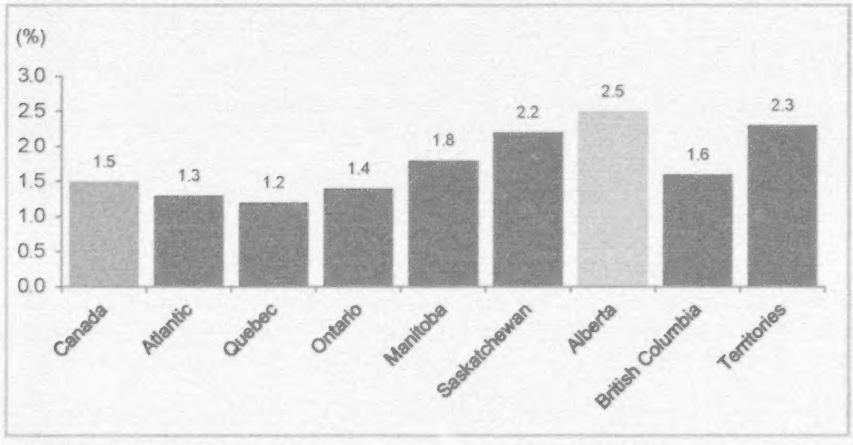
vacancy rate in the accommodation and food services industry has declined by 1.1 percentage points in the last two months to 6.7%, though this industry continues to have a disproportionate share of Alberta's job vacancies. Excluding accommodation and food services the vacancy rate was 2.1%.

Wholesale Trade

Sales trending higher

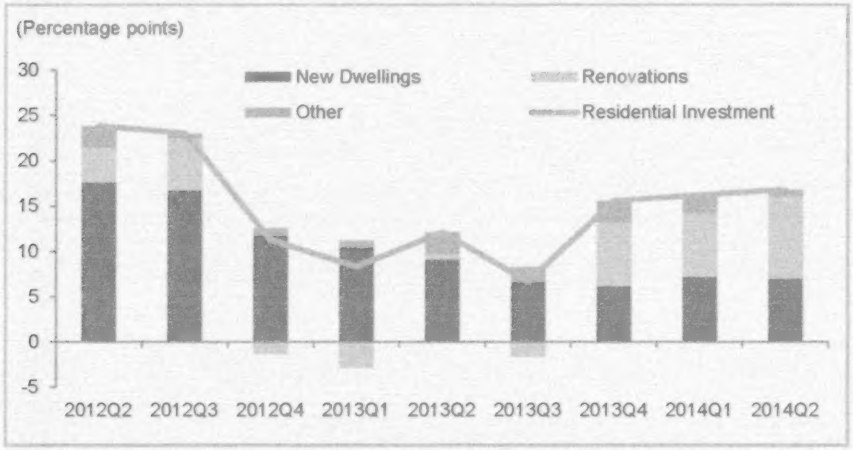
Alberta wholesale trade has been rising throughout 2014, with September sales 13.5% higher than a year ago. Machinery and equipment wholesalers contributed the most to growth, with sales of industrial equipment up 16.4% y/y. A busy construction and renovation season has benefited building material and supply wholesalers, and in particular lumber dealers whose sales were up 22.4% y/y. Sales of farm products increased 47.0% y/y and 34.6% year-to-date, as farm product wholesalers have been moving last year's bumper crop, while also meeting demand for livestock, which has been bolstered by high meat prices.

Chart 3: Alberta continues to have the tightest labour market
Job vacancy rate, August 2014, three month moving average



Source: Statistics Canada

Chart 4: Albertans are investing more in old and new homes
Contribution to year-over-year change in residential investment



Source: Statistics Canada

New Motor Vehicle Sales

More trucks on the road

In September, there were 26,662 new motor vehicles sold in Alberta, a jump of 16.2% from September 2013. Truck sales, including SUVs and vans, accounted for the entire increase, rising 23.4% y/y, while sales of passenger cars fell slightly. This was the highest year-over-year increase in truck sales since May 2012. Truck sales made up the vast majority of new motor vehicle sales with four trucks sold for every car. Dollar sales were up 23.1% from the same month last year.

Nationally, new motor vehicle sales grew by 13.5% y/y, buoyed by growth in truck sales at 22.9% y/y.

Residential Investment

Renovations on the increase

Alberta residential investment in the second quarter leaped 16.8% higher than the same time last year. Unusually, renovations contributed more to growth than new dwellings (Chart 4), posting the highest gain in five years at 30.6% y/y. Investment in new dwellings was also strong, rising 11.7% y/y to reach an all-time high, eclipsing the previous record from the third quarter of 2007. Year to date, residential investment is up 16.5%.

Contact

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Please see the *Alberta Economy- Indicators at a Glance* for a snapshot of Alberta indicators.